



MEMORANDUM

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TO: Members, House Appropriations Committee
FROM: Scott Frank, Legislative Post Auditor
DATE: April 20, 2012
SUBJECT: Supplemental Information About School Efficiency Audits

This memo is in response to the committee's request for more information about the school district efficiency audits conducted by Legislative Post Audit's school audit team. I've tried to summarize information about the nature of those audits, the estimated savings realized by the districts, and the cost of conducting the audits.

The School Audit Team

Legislative Post Audit's five-person school audit team was formed in January 2006 and remained active through July 2010 when its final reports were released. During that time, the team produced a total of 25 performance audits of K-12 education at the direction of the 2010 Commission.

School District Efficiency Audits

During its final year (July 2009 to July 2010), the school audit team worked almost exclusively on school district efficiency audits. These voluntary audits examined individual school districts to determine if they could achieve cost savings by improving their management of personnel, facilities, or other resources. In all, efficiency audits were scheduled for 10 school districts, but only seven audits were conducted due to the cancellation of the audit function in July 2010.

Audit Recommendations and Potential Savings

The school audit team made numerous recommendations to the school districts to improve the efficiency of their operations. Some were relatively non-controversial, such as charging fees that covered actual costs, reallocating maintenance staff to reduce the need for overtime, and expanding the use of procurement cards. Others recommendations, such as closing schools and eliminating low-enrollment course offerings were far more controversial for districts. In total, the audits identified an estimated \$2.4 million in one-time savings or revenue enhancements, and \$6.2 million in ongoing savings (see **Attachment A** for a breakdown by school district).

It appears that the seven school districts have implemented many of the audit recommendations. Using our annual follow-up work as of June 2011 to determine which recommendations had been implemented and our original projections to estimate the savings, we estimate almost \$1.5 million in annual savings has been realized by those districts (see **Attachment A**). At this point, it does not appear that any of the one-time savings and revenue enhancement ideas have been implemented. This is not surprising, because most of the one-time savings are tied to the more controversial recommendations, such as closing a school and selling the building.

Also, it is important to keep in mind a couple of points about these savings figures. First, the figures are based on our original estimates and the actual savings have not been tested or verified. Also, it's possible that the districts may have implemented additional recommendations after we conducted our follow-up work.

Audit Resources and Costs

Because of Legislative Post Audit's unstable budget situation in 2009 and 2010, the school audit team was only staffed at about 3.5 FTE during the time the school efficiency audits were being conducted. In total, the staff put in about 5,800 hours on the seven audits, which cost an estimated \$362,000 to complete.

Reconstituting the School Audit Team

As we have previously indicated, reconstituting a five-person school audit team would require \$433,000 in the first year (\$10,000 in one-time equipment costs and \$423,000 in ongoing staffing, facility, and travel costs). Obviously, a smaller team would be less expensive but would also produce fewer audits and recommendations.

At this time it is unclear whether there is any demand among school districts for efficiency audits. As mentioned above, there were audits scheduled for three districts that were cancelled when the program ended. In addition, our office had informal conversations with several other districts about efficiency audits, but none were scheduled. However, we have had no discussions with any school districts since July 2010 about school district efficiency audits.

ATTACHMENT A
K-12 Education: Voluntary Efficiency Audits of Schools
Estimated Savings Realized by Seven School Districts

School District Report Date	Summary of Significant Recommendations <i>(1) indicates the recommendation was implemented by the school district</i>	Potential Savings Identified		Estimated Savings Realized (a)		Resources	
		One-Time	Annual	One-Time	Annual	Staff Hours	Est. Cost
Derby Dec 2009	* Change to a "traditional" schedule at the high school rather than a block schedule * Fill class sections closer to capacity at the high school (1) * Consolidate administrative buildings * Replace librarians with library aides and share librarians among buildings (1) * Hire part-time staff or contract out for energy audits (1) * Stop providing and laundering maintenance uniforms (1) * Fill class sections closer to capacity at the high school (1 - partially) * Close the elementary school * Eliminate positions no longer needed because of low elementary enrollment * Automate paper-driven processes, including payroll and purchasing (1) * Maximize the use of business procurement cards to generate cash back (1)	\$288,000	\$1,018,000	\$0	\$381,000	1,604	\$98,758
Ellinwood Jan 2010	* Implement a "traditional" class schedule at both high schools (1) * Close an elementary school and one high school * Offer fewer supplemental contracts for activities such as coaching or advising (1) * Competitively purchasing insurance, including property and liability (1) * Automate paper-driven processes, including payroll and timekeeping (1) * Change to a "traditional" schedule at the high school * Fill class sections closer to capacity at the high school (1) * Close one elementary school and the intermediate school * Reduce the number of nurses and social workers to align with peers (1 - partially) * Provide health insurance coverage for part-time staff if they work more hours (1) * Reduce the number of activity routes by filling buses and reducing trips (1)	\$2,000,000 (b)	\$537,000	\$0	\$133,000	1,080	\$66,526
Renwick April 2010	* Fill class sections closer to capacity at the high school * Offer fewer supplemental contracts for activities such as coaching or advising (1) * Competitively purchasing insurance, including property and liability (1) * Automate paper-driven processes, including payroll and timekeeping (1) * Change to a "traditional" class schedule at both high schools (1) * Close an elementary school and one high school * Offer fewer supplemental contracts for activities such as coaching or advising (1) * Competitively purchasing insurance, including property and liability (1) * Automate paper-driven processes, including payroll and timekeeping (1)	~	\$1,958,000	~	\$221,000	826 (c)	\$50,888
Winfield April 2010	* Fill class sections closer to capacity at the high school (1) * Close one elementary school and the intermediate school * Reduce the number of nurses and social workers to align with peers (1 - partially) * Provide health insurance coverage for part-time staff if they work more hours (1) * Reduce the number of activity routes by filling buses and reducing trips (1)	~	\$2,020,000	~	\$215,000	826 (c)	\$50,888
Concordia July 2010	* Fill class sections closer to capacity at the high school (1) * Move the preschool program to the elementary school (1) * Offer fewer supplemental contracts for activities such as coaching or advising (1) * Hire a full-time staff member to reduce overtime costs for maintenance (1) * Take steps to make the district's food service program self-sufficient (1) * Change to a "traditional" class schedule at the high school (1 - partially) * Move the central office to a school building and sell office as a residence * Offer fewer supplemental contracts for activities such as coaching or advising (1) * Use power-saving options and auto shut-off settings on electronics (1)	~	\$236,000	~	\$236,000	498 (d)	\$31,629
Riley County July 2010	* Fill courses and eliminate low-enrollment courses at the high school (1 - partially) * Hire an additional employee to reduce overtime costs for custodial work * Charge for pre-school and kindergarten breakfasts to generate revenue * Take steps to make the district's food service program self-sufficient (1) * Change to a "traditional" class schedule at the high school (1 - partially) * Move the central office to a school building and sell office as a residence * Offer fewer supplemental contracts for activities such as coaching or advising (1) * Use power-saving options and auto shut-off settings on electronics (1)	\$136,000	\$242,000	\$0	\$189,000	498 (d)	\$31,629
Clifton-Clyde July 2010	* Fill courses and eliminate low-enrollment courses at the high school (1 - partially) * Hire an additional employee to reduce overtime costs for custodial work * Charge for pre-school and kindergarten breakfasts to generate revenue	~	\$232,000	~	\$113,000	498 (d)	\$31,629
Total		\$2,424,000	\$6,243,000	\$0	\$1,488,000	5,830	\$361,947

(a) Savings estimates are based on districts reporting the recommendations they had implemented as of June 2011 (except Derby which is as of June 2010).

(b) This is the county appraised value of the elementary school property. Selling the building for anything close to this value will be difficult because of the recession and current market conditions.

(c) The Renwick and Winfield audits were done as a single project consuming 1,653 audit hours and costing a total of \$101,775.

(d) The Concordia, Riley County, and Clifton-Clyde audits were done as a single project consuming 1,494 audit hours and costing a total of \$94,886.